

# ***U.S. Air Force Contracting***

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***Turning Dollars & Desires into Dominant  
Aerospace Power!***

## **Government Purchase Card (GPC) Program**



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SAF/AQCK  
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# ***Agenda***

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- **Program Overview**
- **Current Environment**
- **Program Management**
- **What's Next**
- **Role of Leadership**



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# ***Program Overview***

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## **Scope**

### **Air Force**

- **49,621 active cardholder accounts (down from 78K)**
- **20,000 approving officials**

### **FY 02 Statistics**

- **3 million transactions**
- **\$1.6 billion**
- **\$11 million in rebates**
- **96% of Air Force procurement actions**



# ***Current Environment***

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## **■ Completed Audits**

### **■ AFAA AF-wide Audit (F2001-C06400-0086)**

#### **■ AFAA Audit Conclusions:**

- AF guidance established adequate purchase controls and oversight procedure**
- Accountable officials did not adhere to guidance regarding surveillance resulting in preventable deficiencies**

### **■ GAO AF-wide Audit (December 2002)**

#### **■ GAO's Conclusion**

- Control Weaknesses Leave AF Vulnerable to Fraud, Waste, and Abuse**
- 39 Recommendations**

### **■ Joint Purchase Card Project - Memorandum Report**

#### **■ Identified 339 inappropriate or unauthorized charges**

- Net loss from fraudulent purchases and account number theft - \$2,073 (1/20<sup>th</sup> of 1% of the \$4.26M sample total)**



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# ***Current Environment (con't)***

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- **Management Initiatives Decision (MID) 904**
  - **Generated from--**
    - **DoD Charge Card Task Force**
    - **GAO Audit recommendations**
    - **Legislation**
    - **OMB Memorandum**
  - **34 recommendations (Gov't Purchase Cards & Travel Cards)**
    - **11 recommendations apply only to Purchase cards**
    - **11 recommendations apply to both Purchase and Travel cards**
- **Quarterly Reporting to OMB**
  - **# of cardholders (CHs)**
  - **Span of control**
  - **Credit limits**
  - **Rebates**
  - **Disciplinary actions**



# ***Program Management***

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- **Vice Chief of Staff memo on GPC**
  - Requested Field Commanders at all levels take an active role in the management and oversight of the GPC Program
- **AFI 64-117 6 Dec 2002 revisions**
  - C.A.R.E., EDI, DD 1057 data collection requirement, annual GPC briefing to Installation Commander
- **Training**
  - Mandatory DAU On-line Training Module
  - Mandatory GSA/DoD On-line Program Manager Course
- **SAF/AQC Policy Letter on GPC (18 Mar 2003)**
  - Eliminate unnecessary accounts (minimize accounts)
  - Eliminate multiple accounts used solely to track funds
  - Span of control not to exceed 7:1



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# ***What's Next***

- **New audits**
- **DoD Charge Card Special Focus Group**
- **More revisions to 64-117 (MID 904 & GAO Audit)**
- **Proposed DoD Metrics**



# ***New Audits***

- **AFAA**
  - **Follow up on program controls and oversight of the GPC Program**
- **GAO (Code 192082), “Whether agencies are managing GPC Program to maximize potential savings”**
- **GAO (Code 192090), “DoD Actions to Improve Management of the Purchase Card Program”**
- **DoDIG (D2002LF-0101), “DoD Controls Over Purchase Cards in the Military Health System”**
- **DoDIG (D2003LH-0052), “Selected DoD Purchase Card Transactions Originating Outside the United States”**
- **DoDIG (D2003CH-0126), “DoD Purchase Card Convenience Checks”**



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# ***DoD Charge Card Special Focus Group***

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- **Co-chaired by Joanne Boutelle (Dep Chief Financial Officer) and Dee Lee (Director, Defense Procurement)**
  - **Tasks**
    - **Resolution of policy and process issues associated with implementation of the MID 904 recommendations**
    - **Support development of a functional architecture to support the Financial Modernization Enterprise Architecture (FMEA)**
    - **Education and outreach plan**
    - **Consideration of the most effective and efficient structure for managing the Department's charge card programs**
  - **Results to be briefed to OSD Comptroller and PDUSD (AT&L)**
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# ***Upcoming Revisions to AFI***

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- **Surveillance reports be signed by contracting squadron commander/chief of contracting office**
- **Annual surveillance reports to include:**
  - **Ratio of CHs to AOs**
  - **Ratio of CHs to employees**
  - **Ratio of monthly spending limits to actual spending**
  - **# of AOs and CHs requiring training**
- **Documentation of independent receipt and acceptance by someone other than the CH**



# ***Proposed DoD Metrics***

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- **File turn**
- **Percentage of actions under \$25,000 accomplished using the card**
- **Percentage of accounts in delinquent status**
- **Percentage of organizations passing internal control reviews**
- **Percentage of “frustrated freight” resulting from purchase card shipments**
- **Percentage of non-exempted accounts using electronic certification**
- **Percentage of cardholders, reviewing/certifying officials, and agency/organization program coordinators (A/OPCs) that have completed mandatory training**



# ***Role of Leadership***

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- **Leadership support is key to success**
- **Must have strong management, oversight & follow-up of program**
  - **Appropriate set of controls, authorities, thresholds, and processes**
- **Actively participate in program management**
  - **Support your GPC program manager**
  - **Enforce the rules**
  - **Ensure effective training and surveillance are accomplished**
  - **Terminate privileges of abusers**
  - **Refer disciplinary action to unit commanders**
  - **Cultivate base-wide leadership support**
- **Team with local AFAA & OSI to prevent & detect improprieties and fraud**



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# ***BACK-UP SLIDES***



- **AFAA AF-wide Audit (F2001-C06400-0086)**
  - 46 bases, FY 00 data
  - 21,000 transactions based on 12 fraud indicators
  - Findings
    - Split transactions
    - Convenience checks >\$2,500
    - Construction > \$2,000
    - Recurring services >\$2,500 without a contract
    - Computer purchases without proper approvals
  - AFAA Audit Conclusions:
    - AF guidance established adequate purchase controls and oversight procedure
    - Accountable officials did not adhere to guidance regarding surveillance resulting in preventable deficiencies



## ***Audits (con't)***

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- **GAO AF-wide Audit (December 2002)**
  - **One base each: AFMC, ACC, AMC, AETC**
    - **Edwards, Nellis, Travis, Lackland**
  - **100 targeted transactions**
  - **GAO's Conclusion**
    - **Control Weaknesses Leave AF Vulnerable to Fraud, Waste, and Abuse**
    - **39 Recommendations**



# ***Audits (con't)***

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- **Memorandum Report F2003-0002-FC3000, “Joint Purchase Card Project” - December 2002**
  - **DoDIG used data mining techniques to review 3.2M transactions and referred questionable ones to AFAA to investigate**
  - **AFAA reviewed 2,625 transactions totaling \$4.26M at 42 locations**
  - **AFAA identified 339 inappropriate or unauthorized charges**
    - **\$6,424 in potentially fraudulent CH purchase activity**
    - **\$30K in third party theft of account numbers**
    - **\$516K - Improper card usage (split purchase, recurring services, construction services, etc.)**
    - **Net loss from fraudulent purchases and account number theft - \$2,073 (1/20<sup>th</sup> of 1% of the \$4.26M sample total)**



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# ***Management Initiatives Decision (MID) 904***

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- **MID 904 recommendations generated from--**
  - DoD Charge Card Task Force
  - GAO Audit recommendations
  - Legislation
  - OMB Memorandum
- **34 recommendations (Gov't Purchase Cards & Travel Cards)**
  - 11 recommendations apply only to Purchase cards
  - 11 Joint recommendation apply to both Purchase and Travel cards
- **Recommendations Include:**
  - Implement an overarching regulation covering charge card responsibilities within DoD
  - Ensure more control of charge cards when an individual leaves an organization (i.e., revise out processing procedures)
  - Evaluate credit-worthiness of an individual before issuing a Purchase Card or Travel Card



# ***MID 904 (con't)***

## **■ Recommendations (con't):**

- Investigate alternative methods of prosecuting fraud**
- Improve surveillance of GPC program through automated data mining tools**
- Restrict cards to no more than 1.5 million accounts DoD-wide (Purchase Cards and Travel Cards)**
- Establish job descriptions that identify responsibilities for CHs, AOs and A/OPCs**
- Establish performance standards for CHs, AOs, and A/OPCs and link these standards to performance appraisals**



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# OMB Metrics

- **First Quarterly Report to OMB**
  - **# of CHs - 59K**
  - **Span of Control Ratio - Average 1.95:1**
  - **Maximization of Rebates - AF earned 85% of possible rebates**
  - **Credit Limits - 3K CHs with limits over \$100K**
  - **Abuses Reported/Actions taken - 373 disciplinary actions taken**



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# ***AF Vice Chief of Staff Memo on GPC***

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- **Issued 16 Jan 2003**
- **Requested Field Commanders at all levels take an active role in the management and oversight of the GPC Program**
- **Stressed the importance of timely and thorough review and reconciliation of GPC statements**
- **Stated that accounts that are not reconciled within 60 days will be automatically suspended**



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# ***AFI 64-117 Revision***

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- **Major Changes**
  - **C.A.R.E. EDI**
  - **Additional guidelines on purchase card as a payment tool**
  - **DD 1057 data collection requirement**
  - **Annual GPC briefing to Installation Commander**
  - **Records retention**
  - **Purchase authority up to \$25,000 from priority sources of supply (GSA and DLA stock programs)**
  - **AFAA audit findings**
- **Published 6 Dec 2002**



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# ***GPC Training***

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- **Mandatory DAU On-line Training Module**
  - Basic cardholder/approving official training
  - Module is available to all users of the DAU Continuous Learning Center at <http://clc.dau.mil>
- **AFLMA Project**
  - Program manager's reference guide
  - Sample cardholder and approving official training template
  - <http://www.safaq.hq.af.mil/contracting>
- **GSA/DoD On-line Program Manager Course**
  - <http://apps.fss.gsa.gov/webtraining/trainingdocs/aopctraining/index.cfm>
- **AF OSI training on fraud detection (upcoming)**



# ***SAF/AQC Policy Letter on GPC***

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- **Issued 18 Mar 2003**
- **Eliminate unnecessary accounts (minimize accounts)**
- **Eliminate multiple accounts used solely to track funds**
- **Span of control not to exceed 7:1**
- **Suspend alternate CH and AO accounts when primary is available**
- **Mandates GSA training for GPC program managers**
- **Mandates the use of the checklist in the Surveillance Guide**
- **Cancellation of convenience check privileges for those who have repeatedly misused the checks**
- **Directs GPC managers to remind CHs and AOs of their pecuniary liability**
- **Mandates review of accounts every three months to ensure that CHs are not serving as AOs for their own accounts**



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# ***A/OPC Position Upgrade***

- **Numerous recommendations that the A/OPC position be upgraded**
- **Working with Randolph to develop a Standard Core Personnel Document (SCPD)**
- **Randolph won't support a GS-11/12 position performing only GPC duties**
- **They have proposed a SCPD with just coordinator duties as a GS-6 (referring back to the two OPM classification decisions that graded the position as an 1106-6)**
- **They recommend adding non-GPC duties to the SCPD**